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Financial Report
Louisiana Museum Foundation
June 30, 2005

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Release Date 8-23-06

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Louisiana Museum Foundation New Orleans, Louisiana

June 30, 2005

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Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Louisiana Museum Foundation,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of Louisiana Museum Foundation (a nonprofit organization) as of June 30, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Museum Foundation as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 8, 2006 on our consideration of Louisiana Museum Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
March 8, 2006.

STATEMENT OF FINANCIAL POSITION**Louisiana Museum Foundation
New Orleans, Louisiana**

June 30, 2005

ASSETS

Cash and cash equivalents	\$ 542,367
Investments	2,062,501
Unconditional promises to give	41,667
Accrued interest	8,192
Miscellaneous receivables	12,000
Office equipment, net	9,230
Prepaid expenses	5,502

Total assets	<u>\$ 2,681,459</u>
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LIABILITIES

Accounts payable and accrued expenses	<u>\$ 29,310</u>
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NET ASSETS

Unrestricted:	
Undesignated	256,747
Designated for Endowment purposes	318,164
Designated for reserve purposes	<u>187,745</u>

Total unrestricted net assets	762,656
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Temporarily restricted	<u>1,889,493</u>
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Total net assets	<u>2,652,149</u>
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Total liabilities and net assets	<u>\$ 2,681,459</u>
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See notes to financial statements.

STATEMENT OF ACTIVITIES**Louisiana Museum Foundation
New Orleans, Louisiana**

For the year ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions	\$ 165,202	\$ 120,992	\$ 286,194
Contracts for services	2,182	-	2,182
Grants	-	30,108	30,108
Leases and facility rentals	26,053	48,253	74,306
Royalties and sales	7,943	-	7,943
Interest and dividends	28,807	38,362	67,169
Net unrealized gains (losses) on investments	(2,643)	25,635	22,992
Realized loss on sale of investments	(705)	(3,013)	(3,718)
Miscellaneous	44	-	44
	<u>226,883</u>	<u>260,337</u>	<u>487,220</u>
Total revenues			
	226,883	260,337	487,220
Net Assets Released From Restrictions			
Satisfaction of use restrictions	<u>140,134</u>	<u>(140,134)</u>	<u>-</u>
Total revenues and support	<u>367,017</u>	<u>120,203</u>	<u>487,220</u>
Expenses			
Program services	164,954		164,954
General and administration	<u>142,609</u>		<u>142,609</u>
Total expenses	<u>307,563</u>		<u>307,563</u>
Changes in net assets	59,454	120,203	179,657
Net Assets			
Beginning of year	<u>703,202</u>	<u>1,769,290</u>	<u>2,472,492</u>
End of year	<u>\$ 762,656</u>	<u>\$ 1,889,493</u>	<u>\$ 2,652,149</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS**Louisiana Museum Foundation
New Orleans, Louisiana**

For the year ended June 30, 2005

Cash Flows From Operating Activities

Changes in net assets	\$ 179,657
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	6,116
Net unrealized gains on investments	(22,992)
Loss on sale of investments	3,718
Decrease in unconditional promises to give	30,666
Decrease in accounts receivable - contracts	9,696
Increase in accrued interest	(7)
Increase in miscellaneous receivables	(11,250)
Increase in prepaid expenses	(783)
Increase in accounts payable	16,144
	<hr/>
Total adjustments	31,308
	<hr/>
Net cash provided by operating activities	210,965

Cash Flows From Investing Activities

Purchases of U.S. Government obligations	(597,151)
Maturities of U.S. Government obligations	475,000
Purchase of equity securities and mutual funds	(249,479)
Proceeds from sales of equity securities	18,351
Purchase of office equipment	(4,198)
	<hr/>
Net cash used for investing activities	(357,477)

Net Decrease in Cash and Cash Equivalents	(146,512)
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Cash and Cash Equivalents

Beginning of year	688,879
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End of year	\$ 542,367
	<hr/>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Louisiana Museum Foundation
New Orleans, Louisiana

June 30, 2005

Note 1 - ORGANIZATION, NATURE OF ACTIVITIES AND INCOME TAXES

Louisiana Museum Foundation (the Foundation) is a nonprofit corporation organized under the laws of the State of Louisiana to support the Louisiana State Museum. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Statement Presentation

Financial statement presentation follows the recommendations of the Statement of Financial Accounting Standards, (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, Louisiana Museum Foundation classifies its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Receives contributions and other revenues and expends funds for the general operation of the Foundation.

Temporarily Restricted Net Assets - Grants and other revenues specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets - Louisiana Museum Foundation does not have any permanently restricted net assets.

b. Basis of Accounting

The financial statements of the Louisiana Museum Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Cash Equivalents

The Foundation considers money market funds and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

d. Investments

The Foundation records donated securities at their fair market value at the date of donation. Investments are shown in the financial statements at approximate current market value. Realized and unrealized gains and losses are included in the statement of activities.

e. Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. For the year ended June 30, 2005, all promises to give were recognized as assets and revenues. All promises are deemed by management to be collectible.

f. Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

g. Office Equipment

Office equipment of the Foundation is stated at cost which was \$37,170 at June 30, 2005. With the exception of computer equipment which is depreciated over three years, depreciation is provided over five years by the double declining balance method. Accumulated depreciation at June 30, 2005 was \$27,940.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Note 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2005 are as follows:

The Lupin Foundation	\$16,667
J. Aron Charitable Foundation	10,000
Darryl Berger	<u>15,000</u>

Total unconditional promises to give	<u>\$41,667</u>
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Amount due in:

Less than one year	\$26,667
One or two years	<u>15,000</u>

Total	<u>\$41,667</u>
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These multi year promises were not discounted to present value at June 30, 2005 because management considers the discount to be insignificant.

Note 4 - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances at several financial institutions located in New Orleans, Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of June 30, 2005, there were no uninsured balances.

Note 4 - CONCENTRATION OF CREDIT RISK (Continued)

The Foundation also maintains money market funds accounts with an investment brokerage firm. The balances are insured by the Securities Investor Protection Corporation up to \$100,000. As of June 30, 2005, the uninsured balances totaled approximately \$385,000.

Note 5 - INVESTMENTS

Investments consist of the following:

	<u>June 30, 2005</u>	
	<u>Market Value</u>	<u>Cost or Assigned Amount</u>
Equity Securities	\$ 606,220	\$ 629,306
Mutual Funds	266,819	240,018
U.S. Treasury Notes	<u>1,189,462</u>	<u>1,227,545</u>
Total	<u>\$2,062,501</u>	<u>\$2,096,869</u>

	<u>Market Value</u>	<u>Cost or Assigned Amount</u>	<u>Excess of Cost Over Market Value</u>
Balances at June 30, 2005	<u>\$2,062,501</u>	<u>\$2,096,869</u>	\$34,368
Balances at June 30, 2004	<u>\$1,689,948</u>	<u>\$1,747,308</u>	<u>57,360</u>
Net unrealized gain			<u>\$22,992</u>

Note 6 - TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets during the year were as follows:

<u>Fund</u>	<u>Balance, June 30, 2004</u>	<u>Revenues</u>	<u>Expenses/ Reclassifications</u>	<u>Transfers</u>	<u>Balance, June 30, 2005</u>
Acquisition and Conservation					
Peg Bolton Fund	\$ 1,980	\$ -	\$ -	\$ -	\$ 1,980
Louisiana State Museum					
Miscellaneous Educational and Special Projects Fund	25,040	-	8,407	(1,220)	15,413
Conservation and Acquisitions Fund	52,466	4,535	5,530	(10,000)	41,471
Fashion Group	2,438	-	-	-	2,438
Jazz Collection	6,790	974	2,605	-	5,159
Joint Budget					
Committee Fund	6,190	-	22,760	150,000	133,430
Louisiana Historical Center	4,207	-	-	-	4,207
Exhibits					
Music at the Mint	(552)	12,765	10,497	-	1,716
Photography Collection	1,182	-	-	-	1,182
National History Day	626	1,200	1,970	144	-
Taylor Mardi Gras	13,882	-	4,771	-	9,111
Philogene Favrot Coat	-	10,250	-	-	10,250
Other					
Cypress Sawmill Museum	37	-	-	-	37
Latrobe's Gala					
(Grant Writer)	10,138	70,439	34,648	-	45,929
Museum Endowment Fund	1,364,119	60,984	49	-	1,425,054
Louisiana State Museum	207,417	24,000	-	(150,000)	81,417
Exhibitions and program development	-	24,253	-	-	24,253
NO Branch Mint Coin	-	850	-	-	850
Rainold Mantle	-	8,818	318	-	8,500
Washington Mardi Gras	-	10,000	-	-	10,000
Berger Fund	-	-	-	20,000	20,000 *
Mardi Gras					
Promotional Account	1,282	10,000	12,358	1,076	-
Publications	19,233	-	-	-	19,233
State Board Meetings	(81)	1,400	1,221	-	98
SOCOLA	7,896	-	-	-	7,896
Submarine Fund	10,000	-	20,000	10,000	-
Memberships and other for subsequent periods	<u>35,000</u>	<u>19,869</u>	<u>15,000</u>	<u>(20,000)</u>	<u>19,869</u>
Totals	<u>\$ 1,769,290</u>	<u>\$ 260,337</u>	<u>\$ 140,134</u>	<u>\$ -</u>	<u>\$ 1,889,493</u>

* \$15,000 of the Berger fund is a receivable (see page 8, Note 3).

Note 7 - LOUISIANA STATE MUSEUM FUND

Donations are made to Louisiana Museum Foundation by groups or individuals who use the Museum's facilities. By legislation, the Foundation is to designate these funds for use by Louisiana State Museum for endowment, educational, acquisitions, publications, conservation, and building function support purposes. Expenditures of monies from the fund are subject to the approval of the Joint Legislative Committee on the Budget, State of Louisiana.

Note 8 - MUSEUM ENDOWMENT FUND

Museum Endowment Fund was created by the Board to accumulate \$3,000,000 for museum support. Revenue and other support for the fund consist of contributions, investment income, and transfers of excess funds from other restricted funds as the Board authorizes. The Board has placed the following restrictions on the usage of these funds:

1. Expenditures are limited to acquisitions, conservation, exhibitions, public program, and publication.
2. No expenditures are to be made until the fund reaches \$3,000,000. Annually, thereafter, 50% of investment income can be spent; the other 50% is to be added to corpus.
3. Corpus is never to be touched except for emergencies.
4. Expenditures will require approval by Louisiana Museum Foundation Board of Directors.

Note 8 - MUSEUM ENDOWMENT FUND (Continued)

Activity in the Museum Endowment Fund for the portion that is classified as temporarily restricted for the year ended June 30, 2005 was as follows:

Balance, July 1, 2004	\$1,364,119
Interest and dividends	38,362
Realized loss on investments	(3,013)
Net unrealized gains on investments	25,635
Bank Charges	<u>(49)</u>
Balance, June 30, 2005	<u>\$1,425,054</u>

Activity in the Museum Endowment Fund for that portion that is classified as board designated for endowment purposes for the year ended June 30, 2005 was as follows:

Balance, July 1, 2004	\$303,899
Interest and dividends	8,980
Realized loss on investments	(705)
Net unrealized gains on investments	6,001
Bank Charges	<u>(11)</u>
Balance, June 30, 2005	<u>\$318,164</u>

The total balance in the Museum Endowment Fund as of June 30, 2005 was \$1,743,218.

Note 9 - SUBSEQUENT EVENT

On August 29, 2005, New Orleans and the surrounding area suffered a natural disaster, Hurricane Katrina. Hurricane Katrina and its aftermath severely affected Louisiana Museum Foundation's operations. During the first several weeks following the storm, staff and board members were displaced over several states. Because the Old U.S. Mint, where the Foundation's offices were located, suffered severe storm damage, the Foundation was allowed to return to its former offices only long enough to pack its effects. The back buildings at Madame John's Legacy were identified as the new location for the Foundation's operations; however, they required significant attention before the Foundation

Note 9 - SUBSEQUENT EVENT (Continued)

could take possession of them. Rehab of the buildings was delayed by labor shortages, and for several months the staff worked from disparate locations around the metro area. Moving costs totaled several thousand dollars; however, grant funds were successfully acquired which have significantly defrayed these costs. The Foundation's budget was also impacted as its largest annual fundraiser; the Legacy Ball had to be cancelled. Membership renewal notices were delayed due the displacement of the offices and disrupted mail service. In addition, the Foundation's members had to address their own hurricane related issues. Response to a membership renewal letter sent in the spring of 2006 was very good, and attendance at the May 2006 annual meeting was only down about 15% over the prior year. The Foundation did not lose any regular full-time staff; however, as part of cost cutting efforts, its fledgling newsmagazine, *LA Musée* and all contractors associated with this project were eliminated. Management's expectation is that, provided the current hurricane season does not send any new disruption, the Foundation's operations will be functioning normally by the middle to late summer 2006. Plans for the fall 2006 Legacy event are also well underway.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Louisiana Museum Foundation,
New Orleans, Louisiana.

We have audited the financial statements of Louisiana Museum Foundation, (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated March 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Museum Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assisted functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Museum Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Directors, management, and the Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
March 8, 2006.

SCHEDULE OF FINDINGS AND RESPONSES

Louisiana Museum Foundation

For the year ended June 30, 2005

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are
not considered to be material weakness? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

b) Federal Awards

Louisiana Museum Foundation did not receive any Federal awards during the year ended June 30, 2005.

Section II - Financial Statement Findings

No financial statement findings were noted during the audit of the financial statements for the year ended June 30, 2005.

Section III - Federal Award Findings and Questioned Cost

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Louisiana Museum Foundation

For the year ended June 30, 2005

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2004.

No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2004.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2004.

Section II - Internal Control and Compliance Material To Federal Awards

Louisiana Museum Foundation did not receive any Federal awards during the year ended June 30, 2004.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2004.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Louisiana Museum Foundation

For the year ended June 30, 2005

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2005.

No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2005.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2005.

Section II - Internal Control and Compliance Material To Federal Awards

Louisiana Museum Foundation did not receive any Federal awards during the year ended June 30, 2005.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2005.